

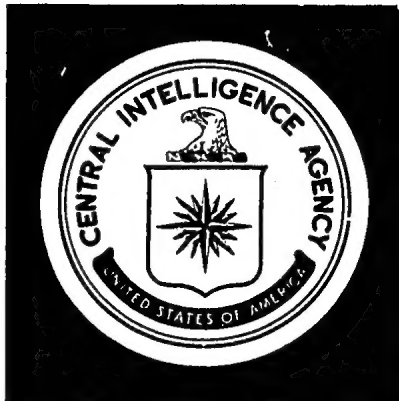
Sanitized Copy Approved for
Release 2011/09/23 :
CIA-RDP85T00875R00170003

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Release 2011/09/23 :
CIA-RDP85T00875R00170003

CIA/DER/IM 72-53 Doc/Sec

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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

The Romanian Balancing Act:

Financing Hard Currency Trade with the West

Secret

ER IM 72-53
May 1972

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
May 1972

INTELLIGENCE MEMORANDUM

**THE ROMANIAN BALANCING ACT:
FINANCING HARD CURRENCY TRADE WITH THE WEST**

Introduction

1. Romania has begun to feel the pinch of its growing hard currency indebtedness, which now exceeds that of any other East European Communist country. To import the advanced technology needed for their ambitious investment plan for 1971-75, the Romanians are looking for new sources of financing and for ways to draw more heavily on established sources. They already have obtained postponement of debt payments from West Germany, plus untied credits from Italy and West Germany and a hard currency loan [redacted] from the People's Republic of China (PRC). In addition, they are trying to obtain financing from the United States, a hitherto largely unused source. This memorandum presents estimates of Romania's hard currency indebtedness, discusses how this indebtedness was incurred, and projects the country's hard currency trade and financial position through 1975.

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Conclusions

2. Romania is strapped with a gigantic hard currency debt. Indebtedness on medium-term and long-term credits from the West at the end of 1970 is estimated at about \$900 million. This indebtedness exceeded exports to the Industrial West⁽¹⁾ by about two-thirds during 1968-70 and

1. Australia, Austria, Belgium, Canada, Denmark, Finland, France, Italy, Japan, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, the United States, and West Germany. Data on New Zealand and South Africa are excluded because Romania does not report trade with these two countries.

Note: This memorandum was prepared by the Office of Economic Research.

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by about four-fifths if short-term credit is included. Only Bulgaria among the East European Communist countries⁽²⁾ has a higher debt-export ratio -- about 1.9 to 1.

3. Most of the debt reflects Romania's heavy borrowing for purchases of Western capital equipment. Cumulative drawings on medium-term and long-term credits from the West during 1959-70 are estimated at about \$1,750 million. Repayments totaled approximately \$860 million over the period and interest an additional \$215 million. West Germany has supplied by far the largest credits, followed by France, the United Kingdom, and Italy. The United States accounts for a very small part of Romania's trade with the Industrial West -- an average of 3% during 1966-69. This share rose to 6% in 1970 because of unusually large purchases of grain necessitated by the floods. During 1959-71, Romania incurred a deficit of \$160 million on this trade, only part of which, about \$70 million, was covered directly by US medium-term and long-term credits.

4. Servicing of this hard currency debt (repayments and interest) eats up a large share of Romanian exports to the Industrial West -- about two-fifths during 1968-70. The burden is made somewhat more tenable by Romania's large gold reserves, which totaled \$215 million at the end of 1971. But the pinch is being felt. In 1970 the West Germans agreed to reschedule repayments amounting to \$57 million falling due on government-guaranteed private loans in fiscal year 1970/71. Additional requests for refinancing can be expected in the future.

5. Romania's debt probably will continue to grow during the next few years, although at a much less rapid rate than in 1966-70. Bucharest cannot reduce its hard currency indebtedness and at the same time import the amounts of advanced equipment and technology it needs for the high rates of industrial growth called for in the 1971-75 plan. Thus far in the current planning period the Romanians have contracted for at least \$250 million worth of machinery and know-how, much of it on credit, from the West. As long as Western countries remain anxious to promote East-West trade, they will have to continue to grant large credits -- and probably some refinancing -- to Romania. The Romanians would like especially to obtain additional credits from the United States on more favorable terms than in the past. The United States is one of their major untapped sources of medium-term and long-term financing.

2. Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania.

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Discussion

The Hard Currency Balance of Payments

6. The growth of Romania's hard currency indebtedness over the last decade is evidenced by the long series of deficits in its balance of payments on current account. The cumulative hard currency deficit on current account in 1959-70, estimated at \$1.1 billion to \$1.2 billion,⁽³⁾ indicates the probable upper limit of net hard currency indebtedness at the end of 1970, including that on short term.

7. Romania enjoyed a trade surplus of \$471 million with non-Communist less developed countries (LDCs) during 1959-70, but incurred a cumulative deficit on trade with the Industrial West of \$1,464 million.⁽⁴⁾ (For annual data, see Table 1.) Its non-trade current account (excluding freight and insurance on imports) with the Industrial West, however, probably showed a small surplus. The only substantial expenditure on invisibles has been for interest payments of at least \$215 million to Western creditors and \$30 million to Soviet banks in the West. Earnings from non-trade items on the current account appear to have been at least twice this amount, including receipts from freight and insurance of \$150 million to \$200 million and earnings from tourism of an additional \$150 million to \$200 million. The Romanian deficit with Austria, a bilateral partner, was more than offset during 1967-70 by a net surplus of \$80 million (clearing dollars) on transit and switch transactions.⁽⁵⁾ Romania also earns some hard currency from workers with Romanian construction firms in West Germany. Finally, earnings from ransoms for and transportation of Jewish and German emigrants are unknown but may have been substantial.

8. A large part of the trade surplus of \$471 million with the LDCs can be applied to offsetting the hard currency deficit. For LDCs with whom Romania has multilateral relations, trade balances are generally settled in hard currency. During 1959-70, Romania realized a cumulative net surplus on commodity trade with these countries of about \$100 million. In addition, Romania may have earned hard currency in its trade with Lebanon (with

3. Throughout the text, including all figures representing conversion from foreign currencies, values are expressed in 1970 US dollars and exchange rates in effect at the end of 1970. Changes in currency parities which have taken place since that time are not taken into account.

4. As Western figures on exports to Romania are much lower than Romanian figures on imports, it is believed that Romania reports most of its imports from the Industrial West on a c.i.f. basis and that the above deficit includes the cost of freight and insurance.

5. Data for a statistical separation of transit and switch transactions are not available.

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Table 1

Romanian Trade with the Industrial West a/

Million US \$

<u>Year</u>	<u>Turnover</u>	<u>Imports</u>	<u>Exports</u>	<u>Balance</u>
1958	153.8	74.4	79.4	5.0
1959	150.1	74.5	75.6	1.1
1960	293.0	147.5	145.5	-2.0
1961	406.5	221.4	185.1	-36.3
1962	438.9	255.5	183.4	-72.1
1963	473.3	264.8	208.5	-56.3
1964	545.0	314.7	230.3	-84.4
1965	601.8	347.2	254.6	-92.6
1966	781.4	445.4	336.0	-109.4
1967	1,118.6	707.2	411.4	-295.8
1968	1,087.3	672.6	414.7	-257.9
1969	1,172.0	711.4	460.6	-250.8
1970	1,303.9	755.8	548.1	-207.7

a. The data in this table were calculated from official Romanian statistics. As the values of Romanian imports from the Industrial West as reported by the Romanians are consistently higher than the values reported by Western countries, it is believed that Romania reports these imports on a c.i.f. basis. It is known that the Industrial West reports its exports to Romania on an f.o.b. basis.

which it has a bilateral clearing agreement) as a part of its \$160 million surplus on commodity trade with that country during 1959-70. Such earnings may represent goods sold through the Beirut free market for convertible currency.

Hard Currency Indebtedness

9. Romanian drawings on medium-term and long-term credits totaled an estimated \$1,750 million during 1959-70 (see Table 2). Annual drawings rose from \$9 million in 1959 to \$110 million in 1965 and peaked at \$225 million in 1967. Drawings gradually declined after 1967, falling to \$260 million in 1970. Most of these credits were for imports from the West of machinery and equipment, although some were for raw materials and semimanufactures. Purchases of advanced capital equipment have played an

Table 2

Romania: Estimated Drawings and Debt Servicing on Medium-Term and Long-Term Credits from the Industrial West ^{a/}

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1959-70 Cumulative</u>
	<u>Million US \$</u>												
Drawings on credits received	9	15	50	80	75	85	110	170	325	300	270	260	1,749
Debt servicing	2	6	16	29	51	67	77	96	130	175	214	211	1,074
Repayments	1	5	13	24	43	57	65	80	104	138	169	160	859
Interest	1	1	3	5	8	10	12	16	26	37	45	51	215
Indebtedness at end of year	8	18	55	111	143	171	216	306	527	689	790	890	
	<u>Percent of Total</u>												
Debt servicing as a share of exports to the Industrial West	3	4	9	16	24	29	30	29	32	42	46	38	

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important part in Romanian investments, as illustrated in 1970 when imports of machinery and equipment from the Industrial West accounted for two-fifths of all such imports and for about one-eighth of total Romanian investment in machinery and equipment.

10. Among the main purchases from the West since 1959 are a catalytic reforming installation, a catalytic cracking plant, two nitrogen fertilizer plants, a vinyl chloride plant, a synthetic fiber plant, a polyethylene plant, an olefin plant, three paper mills, a heavy plate-rolling mill and a basic oxygen furnace steel plant for the Galati iron and steel combine, cargo ships and tankers, and a plant for assembling Renaults. Most of these purchases were financed by medium-term and long-term private, government-guaranteed credits with repayment periods up to ten years and interest rates ranging between 5% and 8%. (For a list of some of the capital equipment Romania has purchased from the Industrial West, see Appendix A.)

11. As a result of its large purchases on credit, Romania has incurred a hard currency indebtedness greater than that of any other East European Communist country. Outstanding medium-term and long-term indebtedness ballooned from less than \$10 million at the end of 1959 to nearly \$900 million in 1970. Debt service payments during 1968-70 were the equivalent of about 40% of export earnings from the Industrial West. In terms of total indebtedness, Romania's indebtedness exceeded exports to the Industrial West in 1967 by more than one-fourth. In 1968 the figure rose to two-thirds. The relationship of debt to exports has remained about the same since 1968. The figure would be roughly four-fifths if short-term credits are included. Only Bulgaria has a higher debt-export ratio -- about 1.9 to 1.

12. The West Germans are the only creditor known to have rescheduled Romanian repayments. They did so ostensibly to provide relief from the economic consequences of the 1970 floods. Obligations falling due between 1 July 1970 and 30 June 1971 -- \$57 million -- were transferred from private commercial creditors to the West German government and were rescheduled over eight and one-half years, beginning in 1974, at a low interest rate.⁽⁶⁾ The West Germans also rescheduled the debt that fell due between 1 July 1971 and 31 December 1971. There have been reports that Romania obtained rescheduling from at least one other country but details are lacking.

6. Estimates of indebtedness and of repayments in 1970 include an allowance for this rescheduling.

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13. Romania's debt position is considerably more viable when its gold reserves of an estimated \$215 million are taken into account. Production of gold in Romania reportedly runs at about \$25 million a year. [REDACTED]

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[REDACTED] Romania has no hard currency resources. Gross foreign exchange reserves, which in the case of Romania apparently consist almost entirely of gold, could finance about three months of hard currency imports. This compares favorably with the positions of other countries at about the same level of development. At the end of 1970 the reserves of Yugoslavia covered about one month of imports, those of Greece two months, those of Mexico somewhat less than four months, and those of Argentina and Spain about five months.⁽⁷⁾

14. Other East European countries do not enjoy gold reserves comparable to those of Romania. Their debts, however, are guaranteed ultimately by the readiness of the USSR to step in and pay them, as in the cases of Hungary in 1957 and of Bulgaria in 1969. The Romanians could hardly expect such help without major concessions in foreign policy that would compromise the independence asserted by Gheorghiu-Dej and Ceausescu.

Types of Financing

15. Medium-term and long-term private, government-guaranteed credits from Western countries provide the bulk of the financing of Romanian hard currency trade. Since 1965, more than two-fifths of such credits have been long-term, with repayment periods ranging between six and ten years - some from date of delivery and some from date of putting the plant into operation. Interest rates generally ranged between 5% and 8%. Private credits not guaranteed by governments have been of some importance, particularly in West Germany, where the Romanians continually borrow up to their established limit on government-guaranteed credits.

16. Short-term credits (one year or less) also have played an important role in the financing of Romanian hard currency trade. These credits are probably on the order of \$100 million at any one time. Although short-term credits represent a small part of total indebtedness, the Romanians would be hard pressed if they could not roll over these credits. Short-term credits often are renewed when repayment falls due so that a 6-month credit becomes a 12-month, 18-month, or even a 24-month credit.

17. Hard currency credits generally have been tied to specific purchases (documentary credits). Long-term credits almost exclusively cover

7. Gross foreign exchange reserves consist of gold, foreign exchange, Special Drawing Rights, and International Monetary Fund gold tranches.

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purchases of plant, equipment, and know-how (see Appendix A and Appendix B for examples). Medium-term credits are largely for purchases of machinery and equipment, but in some cases have been extended to cover purchases of other commodities. Short-term credits cover purchases of raw and semi-finished goods and items of small machinery and equipment; in some cases they are used for downpayments on purchases of plant and equipment.

18. In contrast to the usual practice of tying credits to a specific purchase, N.M. Rothschild and Sons and the British Board of Trade in 1970 agreed to provide Romania with a \$12 million line of credit for a group of goods. Rothschild was designated to act on behalf of London and Scottish banks, and the credit line was guaranteed by the Export Credits Guarantee Department of the Board of Trade. The credit line was to be used to cover up to 85% of the purchase price of British capital goods and associated services and carried an interest rate of 5.5%. Repayment periods were to range between two and five years from delivery or completion, depending on the nature and value of individual contracts.

19. Romania also has received some credits not tied to goods. In early 1970, it was reported that the Italian Foreign Trade Ministry had granted Romania a \$16 million six-year credit to facilitate Italian exports to Romania. The loan was being arranged by Ente Finanziario Interbancario SPA. In late 1970 and early 1971 the West Germans offered a \$25 million untied credit to Romania. Funds were to be raised on the private capital market, and a government guarantee was to be provided. This was the first serious effort of the West German government to implement its new policy of opening the West German capital market to Eastern Europe.

Sources of Financing

20. About 75% of Romanian medium-term and long-term indebtedness is on private, government-guaranteed credits from NATO countries, principally West Germany, France, and the United Kingdom (see Table 3). Another 15% is estimated to be on credits from non-NATO countries - Austria, Japan, Sweden, and Switzerland - and the remaining 10% on private non-guaranteed credits from Western lenders. In addition, Romania owes an unknown amount of hard currency to Soviet banks in the West, principally Moscow Narodny Bank, Ltd. in London and Banque Commerciale pour l'Europe du Nord in Paris. An independent study has placed the size of this debt at \$40 million in 1965 and \$100 million in 1968.

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Table 3

Romanian Indebtedness on Government-Guaranteed
Private Credits Extended by the NATO Members
as of 31 December 1970 a/

	Million US \$ <u>b/</u>	Percent of Total
West Germany	261.4	33.1
France	175.1	22.2
United Kingdom	160.0	20.3
Italy	92.1	11.7
Belgium	72.3	9.2
Netherlands	16.7	2.1
United States	8.1	1.0
Canada	2.1	0.3
Denmark	1.6	0.2
TOTAL	789.3	100.0

a. These figures are based on reports to NATO by member governments. Indebtedness in this case is extensions and interest less calculated repayments and interest. Repayments include the value of any contract that has been cancelled after signing. It is not known whether there have been any such cases in Romanian trade with NATO. Because of rounding, components may not add to the totals shown.

b. These figures may be substantially on the low side. For example, other sources indicate that the figure shown for West Germany is incomplete. West German sources have placed the value of government-guaranteed credits outstanding to Romania as of mid-1970 at \$355 million to \$383 million.

21. Financing is not always derived from the exporting country. A bank in Switzerland might provide credit to Romania for the purchase of a commodity from West Germany, or hard currency earned from one country might be used against a purchase from another. For example, Romania has had a slight surplus on trade with Italy while at the same

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time receiving substantial credits from that country. In addition, some financing has come from the Soviet banks in the West.⁽⁸⁾

US-Romanian Relations

22. Romanian trade with the United States grew from \$7 million in 1964, when trade talks were first held in Washington, to \$31 million in 1969. Trade doubled in 1970 to \$73 million as a result of the large grain imports necessitated by the floods. The US share of total Romanian trade with the Industrial West averaged 3% during 1966-69 and rose to 6% in 1970. US-Romanian trade fell slightly in 1971 to \$66 million.⁽⁹⁾

23. In spite of the large increases in trade, the United States has not played the part envisioned by Romania in 1964 in supplying technology and equipment to Romania. At that time, Romania had hoped to import from the United States \$200 million of the \$1 billion worth of the machinery and equipment it wanted to purchase from the West during 1966-70. Actually, imports of US machinery and equipment amounted to a total of only \$42 million in 1966-70, or about 3% of Romania's total imports of machinery and equipment from the West.

24. Romania incurred a cumulative deficit of about \$160 million with the United States during 1959-71. Of this, \$46 million was incurred in 1970 and about \$40 million in 1971, primarily as a result of large grain purchases. Known sources of financing fell far short of the cumulative deficit. The only Export-Import Bank guaranteed loan was a \$16.2 million credit extended in 1965 by the Continental Illinois Bank and Trust Company of Chicago to cover the purchase of a catalytic cracking plant from Universal Oil Products.⁽¹⁰⁾ Repayments were to start in 1968 and to extend over a five-year period at an annual interest rate of 6%. Drawings on Commodity Credit Corporation (CCC) credits amounted to \$10.9 million in US fiscal year 1970 and \$40.5 million in fiscal year 1971. (For a description of CCC credits extended to Romania, see Appendix D.)

25. The balance of some \$90 million required to finance imports from the United States came from Western banks outside the United States or represented hard currency earned in trade with other countries. An example of non-US financing is a contract signed in 1970 with American Metal

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9. US reporting.

10. Most or all of the deliveries were made during 1966-67, and the plant went into operation in 1967.

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Climax, Inc., which is supplying Romania with aluminum manufacturing technology and know-how.

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Prospects

26. Plans for 1971-75 appear to allow for some increase in imports from the Industrial West as well as for an increase in hard currency earnings. Details of these plans have not been released, but it is unlikely that the Romanians will be able to increase earnings fast enough to avoid incurring deficits on current account through 1975. New drawings will continue to exceed repayments, and indebtedness will continue to rise, although by a smaller absolute amount than in 1966-70.

27. If average agricultural conditions prevail, the Romanians should be able to increase exports to the Industrial West by at least 10% a year and perhaps by as much as 15%. Cumulative hard currency earnings during 1971-75 from tourism could range between \$200 million and \$250 million, and earnings from freight and insurance could be between \$150 million and \$200 million. Some increase can be expected in hard currency settlements with multilateral LDC partners, barter arrangements, and remittances from Romanian workers in the West.

28. Total drawings on credits in 1971-75 would have to be almost as large as in 1966-70 (\$1.3 billion) in order to permit any growth in imports. This level of drawings probably is the minimum that can be expected. Depending on hard currency earnings from exports, tourism, freight and insurance, and other items, imports could be increased 3% to 12% a year if credit drawings were \$1.3 billion to \$2.2 billion over the five-year period (see Appendix C).⁽¹¹⁾ Hard currency indebtedness at the end of 1975 would range between \$1.2 billion and \$1.9 billion. The Romanians probably will try to keep indebtedness at the lower end of the range.

29. If Romania's hard currency indebtedness were to range between \$1.2 billion and \$1.6 billion at the end of 1975, repayments would be as follows:

11. It is assumed that almost one-half of credit received are long-term -- that is, six to ten years.

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Million US \$			
<u>Year</u>	<u>Payments Due on Credits Drawn Prior to 1971</u>	<u>Payments Due on Credits Drawn During 1971-75</u>	<u>Total</u>
1971	175	0	175
1972	181	24 to 38	205 to 219
1973	139	66 to 81	205 to 220
1974	124	106 to 130	230 to 254
1975	107	143 to 180	250 to 287

30. Romania should experience little trouble in getting the hard currency financing its wants in 1971-75. Western countries seem anxious to facilitate Romanian purchases. The West Germans appear to be especially eager to promote trade with Romania as indicated by their willingness to reschedule repayments, extend untied credits, raise quotas on Romanian products, and examine the possibility of raising the limit on government guarantees. Romania probably will be able to continue to borrow from Moscow Narodny Bank and Banque Commerciale pour L'Europe du Nord, and the PRC has extended Romania a hard currency credit [redacted]

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[redacted] Finally, it is probable that Western lenders will be willing to refinance some medium-term and long-term credits.

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31. The Romanians already have contracted for at least \$250 million worth of equipment and know-how from the Industrial West to be delivered through 1975. About two-thirds of this amount consists of chemical plants, and most of the remainder represents automated irrigation systems being purchased from the United Kingdom. Romania has expressed an interest in importing a number of other installations from the West, including a tire plant, a synthetic fiber plant, know-how and equipment for expansion of the aircraft industry, a flat-glass plant, and technical assistance and equipment for offshore oil drilling. In early 1972, discussions were held with General Tire for a tire plant, with DuPont and Chemtex for a synthetic fiber plant, and with Industrie Pirelli SPA of Italy and Dunlop Holdings, Ltd. of the United Kingdom for tire plant machinery and know-how. The value of the possible Pirelli-Dunlop contract is estimated at about \$14 million.

32. Romania still looks to the United States for help in financing some of its future needs, in spite of the discouraging experience of the 1960s. The United States and Japan represent Romania's last major untapped source of medium-term and long-term hard currency credit. Even

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given a readiness to offer financing terms competitive with those of Western Europe, the United States lacks the strong political motives of West European countries and their experience in East-West trade. Nevertheless, the United States with its large financial resources is a feared potential competitor.

33. Romania recently underlined in Washington its need for large grain imports as a result of serious drought damage to winter grains. On 26 April the Romanian Counselor, Gheorghe Ionita, in a conversation with US Assistant Secretary of Agriculture Clarence Palmby repeated a request first made in Bucharest to US Ambassador Meeker that the United States finance deliveries of 1 million tons of wheat and corn. This would involve an increase in Romania's present line of unused CCC credit to \$60 million and an extension of the export authorization period to 30 June 1973.

34. The Export-Import Bank has already authorized guarantee coverage of equipment worth \$7 million and has told the Romanians that it is prepared to issue preliminary commitments for equipment worth at least \$55 million. Offered repayment periods range for the most part from five years, beginning six months from obligation, to seven years, beginning six months after completion. In this latter category are equipment and services for two ammonia plants, a nuclear test reactor, two new DC-9s, and two used DC-8s. Eight-year financing beginning six months after completion date has been offered for equipment for a silica steel plant.

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APPENDIX A

Romania: Major Purchases of Industrial Installations
and Other Capital Equipment from the Industrial West a/
1966-70

Type of Plant or Equipment	Approximate Value of Contract (Million US \$)	Exporting Country	Date Contract Signed	Remarks
Tire factory	14	United Kingdom	1967	Rustyfa is providing machinery, equipment, engineering services, and spare parts for an extension of the Danubiana tire plant. A government-guaranteed credit covering 85% of the contract price was extended. Repayments were to be made in 16 semiannual installments, the first being due 36 months from date of contract.
Tire factory	7	United Kingdom	1967	Rustyfa is providing machinery, equipment, engineering services, and spare parts for the expansion of the Victoria Floresti tire plant. A government-guaranteed credit covering 85% of the contract price was extended. Repayments were to be made in 16 semiannual installments, the first being due 36 months from the date the contract was signed.
Radial tire plants	6	Italy	1967	Pirelli agreed to provide the equipment for radial tire plants to be located in Bucharest and Floresti.
Dimethylterephthalate (DMT) plants	15	West Germany	1966	Fried. Krupp Chemieleanlagenbau GmbH built a factory for making DMT at Brazi. The plant was completed in 1969 and has a capacity of 14,000 tons a year. The West Germans extended a government-guaranteed credit covering 80% of the purchase price. Repayments were to be made in 16 semiannual installments beginning 6 months after the plant was put into operation.
Acrylonitrile monomer plant	16	France	1966	ENSA and Badger won the contract for this plant. ENSA is the general contracting company of the Schnieder group and of Compagnie des Ateliers et Forges de la Loire. Badger (France) is a subsidiary of the Badger Company, Inc., of the United States.
Installation for the production of polyester fibers	18	West Germany	1966	Uhde and Hoechst were awarded the contract for this plant in Iasi. Production began in 1969. A government-guaranteed credit covered 80% of the contract value. Repayments were to be made in 16 semiannual installments beginning 6 months from the date of delivery specified in the contract.
Acrylic fibers plant	5	West Germany	1968	Neumuenstersche Maschinen- und Apparatebau 25X1 H (Neumun- g) was awarded this contract.
2-ethyl hexanol plant	12.5	West Germany	1966	Uhde won the contract for this plant in Rimnicu Vilcea. The Ruhrchemie and Hoechst process and the ICI reforming process are used. The plant started operation in early 1970.

Type of Plant or Equipment	Approximate Value of Contract (Million US \$)	Exporting Country	Date Contract Signed	Remarks
Maleic anhydride plant	4	West Germany, United States	1968	Kloeckner-Humboldt built this plant using technology developed by the US firm Scientific Design. The plant is located in Ploesti and started operation in late 1971.
Ammonia plant	4	West Germany	1966	Uhde built this addition to a plant in Tirgu Mures. The plant went into full production in November 1968. The annual capacity is 100,000 tons.
Two phosphoric acid plants	14	Belgium	1968	Union Chimische Bedrijven won this contract. The Pechiney-Saint Gobain process was used. The plants, which are located in Navodari and Turnu Magurele, started production in 1971. Each plant has an annual capacity of 110,000 tons.
Rubber shoe factory	5	Italy	1967	This contract was awarded to Pirelli. The plant was to be located in Dragasani and was to produce 5 million boots and 6 million soles a year.
Industrial rubber goods plant	13	Italy	1968	Pirelli was to supply the equipment and technology for this plant at Pitesti.
Rolling mill	12	West Germany	1966	Siemag installed a new rolling mill and a 1,000-cubic-meter blast furnace at the Hunedoara metallurgical combine in 1969. A government-guaranteed credit covered 80% of the contract value. Repayments were to begin 12 months after the delivery date fixed in the contract and were to be made in 15 semiannual installments. The interest rate was 5.5% a year.
Continuous wire rolling mill	5	West Germany	N.A.	Schloemann AG received this contract. The mill's capacity is about 280,000 tons a year.
Cold wide strip rolling mill	38	West Germany	1968	Demag AG headed the consortium of seven West German firms which constructed this mill at the Galati iron and steel complex. An 8-year government-guaranteed credit covered 85% of the contract price.
Copper and brass rolling mill	4	West Germany	1969	Otto Wolff AG was to provide this mill for the Metrom factory in Brasov.
Coal mining equipment	21	West Germany	1967	The Krupp-LMG-Exportunion Bucketwheel group delivered equipment for three Romanian open-pit lignite mines in Giral, Beterga, and Tismana in the Rovinari Basin. The last delivery was made by the end of July 1971.
TV picture tubes	9	United States	1967	Corning Glass International supplied technical data (\$6.5 million) and part of the equipment (\$2.8 million) to produce under a Corning license glass envelopes (bulbs) for black and white TV picture tubes. Construction of the plant, which is located in Bucharest, began in 1968 and was completed in 1970.
Six BAC-111's	33	United Kingdom	1968	These purchases were financed by a 7-year government-guaranteed credit for 90% of the contract value. Repayments are in 28 equal quarterly installments beginning 3 months from delivery.
Plant for the manufacture of household refrigerators	5	France	1967	Eighty percent of the contract price was covered by a 7-year government-guaranteed credit.

APPENDIX B

Romania: Major Contracts for Deliveries of Industrial Installations
and Other Capital Equipment from the Industrial West
1971-75

Type of Plant or Equipment	Approximate Value of Contract (Million US \$)	Exporting Country	Date Contract Signed	Remarks
Dimethylterephthalate (DMT) plant	19	West Germany	1970	Fried. Krupp Chemieanlagenbau GmbH is to build this plant, which is to go into production by 1973. The plant, which is to be located at the Brazi chemical combine, will have an annual capacity of 50,000 tons. The new plant, like the smaller one built earlier by Krupp in Romania, will use the Katschmann process developed by Chemische Werke Witten, the Dynamit Nobel AG subsidiary. Krupp will handle the process design, detailed basic engineering, and basic civil engineering, and will supply the equipment. The contract also covers the training of personnel and the start-up supervision.
Ethane	5	United Kingdom	1972	A contract to construct a plant to extract ethane from a natural gas stream has been awarded to Pritchard and Rhodes.
Methanol	N.A.	West Germany	1972	This plant will be built by Uhde using the ICI process. The plant, which is to be located in Victoria, is to come on stream in 1974.
Olefins	22	France	1970	Lurgi SA of Paris, a subsidiary of Lurgi GmbH, won the contract for this plant to be built in Pitesti by the end of 1973. The plant is to produce annually 220,000 tons of ethylene, 130,000 tons of propylene, and 130,000 tons of cracked gasoline.
Vinyl chloride monomer plant	7.9	Japan	1971	Toyo Engineering Corporation agreed to supply this plant, which is to be constructed by early 1974. The annual capacity is to be 160,000 tons. Eighty percent of the contract price is to be paid in installments over 8 years. The interest rate is to be 6.5% a year. This arrangement was still subject to the approval of the Japanese government as of July 1971.
Two plants for the manufacture of urea	16	Belgium	1970 1971	Coppee-Rust signed a technical cooperation agreement with Industrial Import of Romania to assist in the construction of these plants. Each plant is to have a capacity of 300,000 tons a year. The plants, which are to be located in Tirgu Mures and Piatra Neamt, are scheduled to begin production in 1972. Coppee-Rust is jointly owned by Evence Coppee et Cie of Belgium and Litton Industries Inc's unit, Rust Engineering Company of the United States.
Four nitrophosphate fertilizer plants	N.A.	United States, Norway	1971	Wellman-Power Gas Inc., Florida, a US subsidiary of the British firm, Davy-Ashmore, was awarded the contract for engineering, construction, and start-up of these plants. Each is to have a capacity of 890,000 tons a year and is to employ the process developed by Norsk Hydro of Norway. The plants are to produce nitrophosphate and nitrophosphate-potassium fertilizers. The proprietary equipment is to be supplied by Norsk Hydro.

Type of Plant or Equipment	Approximate Value of Contract (Million US \$)	Exporting Country	Date Contract Signed	Remarks
Polyester fiber plant	N.A.	West Germany	1971	Uhde agreed to provide the planning and equipment for this plant. The plant is to produce 30,000 tons of polyester fibers a year on the basis of DMT and ethylene glycol. Romania's present polyester fiber capacity is only 10,000 tons a year. This plant is to be part of the synthetic fiber factory in Iasi, where Uhde built a fiber and filament plant in 1969 and 1970.
Ammonia and synthesis gas installation	18	West Germany	1969	This contract was awarded to Salzgitter Industriebau GmbH. Production is to be based on natural gas, using process technology which originated with the firms of Foster-Wheeler Francaise of Paris and Ammoniacas Casale of Rome. The construction was to be completed in three years. The plant is to be located at the Piatra Neamt Fertilizer Combine near Bucharest. Financing, which was to be stretched out over 9 years, was being handled by a West German consortium headed by Westfalen Bank. Repayment is to be made at least partly by deliveries of ammonia and urea.
Acrylonitrile plant	N.A.	United Kingdom	1971	Badger Ltd. won this contract for the design and engineering of an acrylonitrile plant to be built at the petroleum refinery complex at Pitesti. The capacity is to be 40,000 tons a year. Badger is also to participate in the construction and start-up of the plant which is scheduled to be on stream in 1973. The Sohio-patented one-step process is to be used.
Ammonia plant	24	United Kingdom, United States	1971	Kellogg International is building this plant in Tirgu Mures. This plant is to have a capacity of 300,000 tons a year and is to go on stream in 1973. The British are to supply \$14 million worth of goods and services. London merchant bankers, Lazard Brothers, claim that they have signed with Romanian banks an agreement under which a consortium of British banks will provide a loan of \$5 million (\$12 million) to help finance the goods and services being provided by British firms. The consortium members are Barclays, Clydesdale, Lloyds, Midland, and the National Westminster. The Export Credit Guarantee Department is providing support. The two Romanian banks involved are the Foreign Trade Bank (RBFT) and the National Bank. Repayments are to take place over a period of 7 years after the estimated date of commissioning. The annual interest rate is to be 7%. On 15 April, Bankers Trust Company (the London affiliate of Bankers Trust of New York) reported that it had arranged a \$5-million Euro-dollar credit for the RBFT to help finance a new Romanian ammonia plant. This may well be the plant to be built by Kellogg in Tirgu Mures. The length of the credit was to be 4 years. Bankers Trust said that the interest rate was pegged at a "confidential" margin above the London 6-month Eurodollar deposit offered rate. The rate was to be adjusted every 6 months in line with Eurodollar market fluctuations.
Two ammonia plants	29	United Kingdom, United States	1971	Kellogg received contracts for 2 additional 300,000 tons a year ammonia plants valued at \$6 million each. These plants are to be built in Turnu Magurele and Arad and are to go on stream in June 1973.

Type of Plant or Equipment	Approximate Value of Contract (Million US \$)	Exporting Country	Date Contract Signed	Remarks
Polyethylene plants	10	Japan	1970	A high-density polyethylene plant and a polyethylene coloring plant are to be built at the Pitesti Chemical Combine by the Mitsui industrial group. Construction is to be completed by the end of 1973. The capacity of the high-density polyethylene plant is to be 30,000 tons a year. The Mitsui group is providing an 8-year credit to finance the purchase.
Alkylamines factory	2	United Kingdom, United States	1968	The Power Gas Company, a US subsidiary of the British firm Davy Ashmore, collaborated in the construction of an alkylamine factory at the Borzesti Chemical Combine. The plant, which was commissioned in early 1972, produces 3,200 tons of amines a year.
Nylon-6 tire cord plant	N.A.	Switzerland, Japan	1971	Inventa AG, Zurich, is to provide the license and engineering, and Unitika, Ltd., Japan, is to contribute the know-how for the expansion of a plant in Savinesti.
2-ethyl hexanol plant	7	West Germany	1972	Badische Anilin- und Sodafabrik (BASF) is to deliver this plant, which is to be commissioned in 1973. The plant, which is to have an annual capacity of 25,000 tons, will be constructed at the Rimnicu Vilcea petrochemical plant. An oxosynthesis gas unit is to be delivered by Lurgi.
Aluminum sheet rolling plant	10	United States	1970	American Metal Climax (AMAX) is to provide the know-how needed for design and construction and the manufacturing technology. Two London-based banks -- Manufacturers Hanover Ltd. and Moscow Narodny Bank -- are providing a \$7.5 million loan to help finance the purchases. The plant is scheduled to go into operation by the end of 1972 and is to produce 113,000 tons of aluminum sheet and foil a year.
Automated sprinkler irrigation system	53	United Kingdom	1969	A British consortium consisting of Taylor Woodrow, English Electric, Associated Electrical Industries, and Vickers signed this contract for the installation of an irrigation system in the Sadova-Corabia area, near the Danube. Work was to begin immediately and was to be completed within 5 years. A government-guaranteed credit for £17.9 million (\$43 million) was extended to cover purchase of the irrigation system. Repayments were to be made in 14 equal semiannual installments.

Type of Plant or Equipment	Approximate Value of Contract (Million JS \$)	Exporting Country	Date Contract Signed	Remarks
Automated irrigation system	27	United Kingdom	1971	George Wimpy signed a contract with Industrialimport for the supply and installation of this irrigation system to be constructed in the Flaminda region of southwest Romania. Completion of the project is scheduled in two phases. The first phase is to be completed in April 1973, and the whole system is to be fully commissioned by April 1974. George Wimpy is to be reimbursed from the additional output obtained from the area. Britain's Export Credits Guarantee Department signed a financial guarantee covering a loan for financing a part of the contract. The loan, which totals about £9.6 million (\$23 million), is being made available to both the Romanian Bank for Foreign Trade and the National Bank of the Socialist Republic of Romania, who are joint borrowers. The loan was arranged by N. M. Rothschild and Sons Ltd., who are acting in behalf of a syndicate of London clearing and Scottish banks. These comprise National Westminster Bank Ltd., Bank of Scotland, Barclays Bank Ltd., Lloyds Bank Ltd., Midland Bank Ltd., the Royal Bank of Scotland Ltd., and Williams and Glen's Bank Ltd. The loan is repayable over a period of 11 years from the date of contract. The interest is 5½% a year, the rate for ECGD-guaranteed medium-term business settled before 1 October 1970. Additional Eurodollar financing of almost \$4.4 million (not guaranteed by ECGD) reportedly was arranged by Rothschild Intercontinental Bank, Ltd.
Cooperation in truck and bus production	N.A.	West Germany, France	1969	The Romanians signed a 10-year contract with the West German firm of Maschinenfabrik Augsburg-Nurnberg AG (MAN) for licensing and cooperation in the production of 17 types of trucks and buses in Bucharest and Brazov. MAN is to supply technology, name, and some parts. The Romanians are to construct the vehicles, which will bear a joint trademark. Diesel engines for the vehicles are to be provided by Savim of France. Deliveries to Romania may be as much as \$25 million, of which about one-fourth is to come from Savim.

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APPENDIX C

Projections of the Romanian Balance of Payments
and Debt with the Industrial West
1971-75

	Variant A	Variant B	Variant C	Variant D	Variant E
Major assumptions					
Annual percentage increase in exports	10	15	10	15	10
Drawings on credits (Million US \$)	1,325	1,325	1,350	1,850	2,225
Average repayment period for credits (Years)	7	7	7	7	7
Net miscellaneous receipts (Million US \$) <u>a/</u>	200	400	200	400	200
Derived annual percentage increase in imports	3	10	6	12	8
Projections of the balance of payments (Million US \$)					
Imports (c.i.f.)	4,190	5,060	4,565	5,435	4,855
Exports (f.o.b.)	3,680	4,250	3,680	4,250	3,680
Balance on trade	-510	-810	-885	-1,185	-1,175
Receipts from services	50	150	-10	90	-50
Freight and insurance	150	200	150	200	150
Tourism (net)	200	250	200	250	200
Interest income	-300	-300	-360	-360	-400
Balance on current account	-460	-660	-895	-1,095	-1,225
Net miscellaneous receipts <u>a/</u>	200	400	200	400	200
Balance to be financed	260	260	695	695	1,025
Credits	1,325	1,325	1,850	1,850	2,225
Repayments	-1,065	-1,065	-1,155	-1,155	-1,200
Medium-term and long-term debt outstanding at end of 1975	1,150	1,150	1,585	1,585	1,915

a. Including transfer payments, short-term credits, and hard currency settlements with less developed countries with which Romania has multilateral clearing arrangements.

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APPENDIX D

Commodity Credit Corporation Credits to Romania

In August 1969 a line of CCC credit for \$2.5 million covering US export of cotton, tallow, and tobacco to Romania was established. The Romanians had failed to make use of a previous line valid for the period April 1966 through April 1967. In late 1969 the CCC line was increased from \$2.5 million to \$7.5 million. The authorization period ran through August 1970, and nearly all of the credit line was used. In early 1970 a \$2 million line for seeds was extended, and a \$10 million line for barley was made available. After the 1970 flood, the CCC lines of credit were greatly expanded. By the end of 1970 the line available for wheat, cotton, tallow, and tobacco had been raised to \$44 million, the line for barley had been raised to \$24 million, and the line for seeds had been raised from \$2 million to \$3.5 million. Thus, since July 1969 a total of \$79 million in CCC credits has been authorized for Romania. As of 7 February 1972, \$21 million was unused. This remains available until 30 June 1972.

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